

TITLE V

# International Development Association

Minimum Requirement F.Y. 2022

**\$1.3 billion**

Contribution \$1 billion

Arrears Payment \$300 million

F.Y. 2021 Enacted

**\$1 billion**

IDA is one of the **largest sources of assistance** for the world's 74 lowest-income countries.

## DESCRIPTION

Part of the World Bank, the International Development Association (IDA) is overseen by 173 shareholder nations and reduces poverty by boosting economic growth, reducing inequalities, and improving people's living conditions. IDA's work covers infrastructure, basic health services, clean water and sanitation, agriculture, primary education, business climate improvements, and institutional reforms.

## WHAT DOES IT BUY?

IDA provides loans and grants. Loans are provided on concessional terms. IDA loans have a zero or very low-interest charge, and repayments are stretched up to 38 years with a five to 10-year grace period. Funds go toward the second installment of IDA's Nineteenth Replenishment ([IDA-19](#)), which runs from F.Y. 2021-2023. During IDA-19, IDA will work to accelerate progress toward the sustainable development goals (SDGs), with a specific focus on five themes: climate change; fragility, conflict, and violence; gender and development; governance and institutions; and jobs and economic transformation.

## WHY IS IT IMPORTANT?

- IDA is the single largest source of [concessional finance](#) for the lowest-income [countries](#) and is considered one of the most effective international financial institutions.
- From 1960 to 2020, IDA provided [\\$420 billion](#) for investments in 114 countries. Thirty-five borrower countries have graduated to middle-income status, with many becoming donors. Annual commitments have increased and averaged \$25 billion over the last three years.
- In the fiscal year ending June 30, 2020, IDA approved 305 new projects, and IDA commitments totaled [\\$30.48 billion](#), of which 26% was provided on grant terms.
- Between July 2017 and June 2019, IDA provided [62 million](#) women and children with basic nutrition services.

- IDA is a global leader in transparency and undergoes rigorous independent evaluations of its work. The 2020 Aid Transparency Index ranked IDA [second](#) out of 47 of the world's major development agencies.
- IDA adheres to the [World Bank Group's Environmental and Social Framework](#), which provides broad and systematic coverage of environmental and social risks.

## WHY SHOULD AMERICANS CARE?

- IDA's investment in human capital, infrastructure, and policy reform attracts private investment to developing countries. The creation of new jobs and higher discretionary incomes will expand the potential markets for U.S. companies to export American products.
- Investment in long-term sustainable development strengthens international peace and security and maintains a stable global economy.
- Involvement in IDA is an opportunity for the U.S. to bolster its role as a leader in setting the vision, direction, and quality of development projects that other international financial institutions will look to as a standard.

## COVID-19 IMPACTS

- The world's lowest-income countries—the clients of IDA—have been hit the hardest by COVID-19. In many cases, IDA is their only source of financing to cope with the virus. Support will allow countries to make investments to mitigate COVID-19 [impacts](#) and maintain progress towards the SDGs.
- In response to the pandemic, IDA front-loaded much of the \$82 billion committed to the IDA-19 replenishment.
  - » The World Bank Group pledged \$160 billion over a 15-month period ending June 2021, of which IDA will contribute \$50 billion. This is the most significant source of multilateral development bank financing in the world to help developing countries cope with the virus.

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## WHAT MORE COULD BE DONE?

- The Multilateral Debt Relief Initiative (MDRI) provides 100% cancellation of eligible debt to IDA for countries that qualify under the Heavily Indebted Poor Countries (HIPC) Initiative.
- In place of covering the debt, MDRI allows scarce resources from IDA and low-income country governments to be reallocated for poverty-reducing efforts in areas such as health and education.
- The U.S. and other donors committed to compensating IDA for the canceled debt. However, the U.S. has not yet met these commitments.
- Additional investment would cover unmet commitments to IDA and MDRI. IDA's ability to provide loans and grants is hindered when the U.S. fails to meet commitments. On many

occasions, the U.S. has failed to pay its full contribution to IDA and MDRI and fallen into arrears.

- » U.S. unmet commitments to IDA and MDRI amounted to approximately **\$1.72 billion** (\$485.3 million for IDA replenishments and \$1.24 billion for IDA MDRI) in F.Y. 2020, undermining U.S. credibility and IDA's ability to deliver on key policy goals.
- To ensure a smooth contribution process, the International Development Association Act should be authorized at the full amount of the 19th replenishment.

## FUNDING HISTORY

